

AMENDED IN ASSEMBLY MAY 20, 2015

AMENDED IN ASSEMBLY APRIL 21, 2015

CALIFORNIA LEGISLATURE—2015–16 REGULAR SESSION

## ASSEMBLY BILL

**No. 151**

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**Introduced by Assembly Member Rodriguez**

January 15, 2015

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An act to add and repeal Section 3073.7 of the Labor Code, and to add and repeal Sections 17053.11, 19560.3, and 23667 of the Revenue and Taxation Code, relating to taxation, to take effect immediately, tax levy.

### LEGISLATIVE COUNSEL'S DIGEST

AB 151, as amended, Rodriguez. Income taxes: credits: apprenticeships.

The Personal Income Tax Law and the Corporation Tax Law allow various credits against the taxes imposed by those laws. Existing law provides for the establishment of apprenticeship programs in various trades, to be approved by the Chief of the Division of Apprenticeship Standards in any trade in the state or in a city or trade area whenever the apprentice training needs justify the establishment.

This bill, for taxable years beginning on or after January 1, 2016, and before January 1, 2020, would allow a credit against the taxes imposed under those tax laws in an amount equal to \$1 for each hour a registered apprentice worked in the taxable year, up to \$2,000 for each registered apprentice for up to 10 registered apprentices, as defined, trained by the taxpayer in the taxable year. *This bill would provide that the credit would have an aggregate cap of \$10,000,000 for each calendar year.* This bill would require the Division of Apprenticeship Standards in the

Department of Industrial Relations, among other things, to establish a procedure for taxpayers, in the form and manner jointly prescribed by the Division of Apprenticeship Standards and the Franchise Tax Board, to apply and receive a certificate for purposes of the credit. This bill would also require the Division of Apprenticeship Standards to prepare reports for each of the 5 calendar years beginning on January 1, 2017, and before January 1, 2022, containing specified information relating to the credits, to be submitted to the Assembly and Senate Appropriations Committees, the Assembly Revenue and Taxation Committee, and the Senate Governance and Finance Committee on or before March 1 of the following calendar year, commencing March 1, 2018.

This bill would take effect immediately as a tax levy.

Vote: majority. Appropriation: no. Fiscal committee: yes.

State-mandated local program: no.

*The people of the State of California do enact as follows:*

1     SECTION 1. Section 3073.7 is added to the Labor Code, to  
2     read:  
3     3073.7. (a) The Division of Apprenticeship Standards shall  
4     prepare reports on the apprenticeship income tax credits allowed  
5     under Sections 17053.11 and 23667 of the Revenue and Taxation  
6     Code. The reports shall be for each of the five calendar years  
7     beginning on January 1, 2017, and before January 1, 2022, and  
8     shall include, but not be limited to, the following information:  
9     (1) The number of companies or businesses taking advantage  
10    of the apprenticeship income tax credit.  
11    (2) The number of apprentices participating in the apprenticeship  
12    programs and the number of apprentices who completed an  
13    apprenticeship program which was the basis of the apprenticeship  
14    income tax credits allowed under Sections 17053.11 and 23667  
15    of the Revenue and Taxation Code.  
16    (3) The number of apprentice program graduates hired by the  
17    taxpayer after the apprenticeship training was completed for which  
18    the taxpayer was allowed a credit under Sections 17053.11 and  
19    23667 of the Revenue and Taxation Code for training that  
20    apprentice.

1 (4) Information on the employment status of individuals who  
2 have completed an apprenticeship to the extent the information is  
3 available.

4 (5) The fiscal impact of the apprenticeship income tax credits.

5 (b) This report shall be submitted to the Assembly and Senate  
6 Appropriations Committees, the Assembly Revenue and Taxation  
7 Committee, and the Senate Governance and Finance Committee  
8 on or before March 1 of the following calendar year, commencing  
9 March 1, 2018.

10 (c) This section shall be repealed on January 1, 2023.

11 SEC. 2. Section 17053.11 is added to the Revenue and Taxation  
12 Code, to read:

13 17053.11. (a) For each taxable year beginning on or after  
14 January 1, 2016, and before January 1, 2020, there shall be allowed  
15 a credit against the “net tax,” as defined in Section 17039, in an  
16 amount equal to one dollar (\$1) for each hour a registered  
17 apprentice worked during the taxable year, up to two thousand  
18 dollars (\$2,000), for each registered apprentice trained by the  
19 taxpayer in the taxable ~~year~~; *year; not to exceed 10 registered*  
20 *apprentices per taxable year*.

21 (b) For purposes of this section, “registered apprentice” means  
22 an individual who meets all of the following requirements:

23 (1) Is 16 years of age or older at the time of application into the  
24 program.

25 (2) Meets one of the following requirements:

26 (A) Has not obtained a high school diploma and is enrolled in  
27 high school or a General Education Development test preparation  
28 program.

29 (B) Has obtained a high school diploma or General Education  
30 Development credential while participating in the apprenticeship.

31 (3) Is trained by the taxpayer through an apprenticeship program  
32 that meets all of the following requirements:

33 (A) The apprenticeship program is approved by the Chief of  
34 the Division of Apprenticeship Standards pursuant to Chapter 4  
35 (commencing with Section 3070) of Division 3 of the Labor Code  
36 and is also registered with the Office of Apprenticeship at the  
37 United States Department of Labor.

38 (B) The program is provided pursuant to an apprenticeship  
39 agreement as described in Section 3077 of the Labor Code.

40 (C) The minimum term in hours for the program is 2,000 hours.

1 (c) (1) (A) A credit shall only be allowed under this section  
2 for the taxable year if the taxpayer has received the certificate  
3 described in subparagraph (B) from the Division of Apprenticeship  
4 Standards in the Department of Industrial Relations. A certificate  
5 is required for each taxable year. The taxpayer shall provide a copy  
6 of the certificate to the Franchise Tax Board upon request.

7 (B) The Division of Apprenticeship Standards shall do all of  
8 the following:

9 (i) Establish a procedure for taxpayers, in the form and manner  
10 jointly prescribed by the Division of Apprenticeship Standards  
11 and the Franchise Tax Board, to apply and receive a certificate for  
12 purposes of this section.

13 (ii) Verify that the taxpayer is training during the taxable year  
14 an individual that meets the requirements to be a registered  
15 apprentice as described in subdivision (b).

16 (iii) Provide the taxpayer with a certificate for the registered  
17 apprentice. The certificate shall contain the name of the taxpayer  
18 and the name of the apprentice, a brief description of the  
19 apprenticeship, the primary location of the apprenticeship, and any  
20 other information the Division of Apprenticeship Standards or the  
21 Franchise Tax Board deems relevant.

22 (iv) Annually provide the Franchise Tax Board with a list of  
23 the names of the taxpayers that received certificates and the names  
24 of the registered apprentices of the taxpayer. The list may also  
25 contain any other information from the certificates.

26 (v) Inform the Franchise Tax Board if the Division of  
27 Apprenticeship Standards has knowledge that the training of a  
28 registered apprentice is terminated prior to the completion of the  
29 apprenticeship program after the taxpayer has received a certificate.

30 (2) The Division of Apprenticeship Standards may adopt rules  
31 and regulations as reasonably necessary to effectuate this  
32 subdivision, but shall consult with the Franchise Tax Board.

33 (d) In the case where the credit allowed by this section exceeds  
34 the “net tax,” the excess may be carried over to reduce the “net  
35 tax” in the following year, and succeeding four years, if necessary,  
36 until the credit is exhausted.

37 (e) The Franchise Tax Board may prescribe rules, guidelines,  
38 or procedures necessary or appropriate to carry out the purposes  
39 of this section, except as otherwise specified in subdivision (c).

1 (f) (1) Except as provided in paragraph (2), if the training of a  
2 registered apprentice is terminated prior to the completion of the  
3 apprenticeship program, any unused carryover of the credit shall  
4 be canceled and any previously claimed credit that reduced net tax  
5 shall be recaptured by increasing the tax imposed by this part for  
6 the taxable year in which the training is terminated.

7 (2) Paragraph (1) shall not apply if the training of a registered  
8 apprentice was terminated due to any of the following:

9 (A) The registered apprentice voluntarily leaves the  
10 apprenticeship program.

11 (B) The registered apprentice, before the end of the completion  
12 of the apprenticeship program described in paragraph (3) of  
13 subdivision (b), becomes disabled and unable to perform the  
14 services of that program, unless that disability is removed before  
15 the close of the period of that program and the taxpayer fails to  
16 offer reinstatement to the program for that apprentice.

17 (C) The training of a registered apprentice was terminated due  
18 to the misconduct, as defined in Sections 1256-30 to 1256-43,  
19 inclusive, of Title 22 of the California Code of Regulations, of that  
20 apprentice.

21 (D) The training of a registered apprentice was terminated due  
22 to a substantial reduction in the trade or business operations of the  
23 taxpayer.

24 (g) A deduction otherwise allowed under this part for any  
25 amount paid or incurred by the qualified taxpayer in training a  
26 registered apprentice as a trade or business expense shall be  
27 reduced by the amount of the credit allowed by this section.

28 (h) *The aggregate amount of credits allowed under this section*  
29 *and Section 23667 shall not exceed ten million dollars*  
30 *(\$10,000,000) for each calendar year.*

31 ~~(h)~~

32 (i) This section shall remain in effect only until December 1,  
33 2020, and as of that date is repealed.

34 SEC. 3. Section 19560.3 is added to the Revenue and Taxation  
35 Code, to read:

36 19560.3. (a) The Franchise Tax Board shall provide the  
37 Division of Apprenticeship Standards in the Department of  
38 Industrial Relations with any information necessary to prepare the  
39 report required pursuant to Section 3073.7 of the Labor Code.

40 (b) This section shall be repealed on January 1, 2023.

SEC. 4. Section 23667 is added to the Revenue and Taxation Code, to read:

23667. (a) For each taxable year beginning on or after January 1, 2016, and before January 1, 2020, there shall be allowed a credit against the "tax," as defined in Section 23036, in an amount equal to one dollar (\$1) for each hour a registered apprentice worked during the taxable year, up to two thousand dollars (\$2,000) for each registered apprentice trained by the taxpayer in the taxable ~~year~~ *year; not to exceed 10 registered apprentices per taxable year*.

(b) For purposes of this section, "registered apprentice" means an individual who meets all of the following requirements:

(1) Is 16 years of age or older at the time of application into the program.

(2) Meets one of the following requirements:

(A) Has not obtained a high school diploma and is enrolled in high school or a General Education Development test preparation program.

(B) Has obtained a high school diploma or General Education Development credential while participating in the apprenticeship.

(3) Is trained by the taxpayer through an apprenticeship program that meets all of the following requirements:

(A) The apprenticeship program is approved by the Chief of the Division of Apprenticeship Standards pursuant to Chapter 4 (commencing with Section 3070) of Division 3 of the Labor Code and is also registered with the Office of Apprenticeship at the United States Department of Labor.

(B) The program is provided pursuant to an apprenticeship agreement as described in Section 3077 of the Labor Code.

(C) The minimum term in hours for the program is 2,000 hours.

(c) (1) (A) A credit shall only be allowed under this section for the taxable year if the taxpayer has received the certificate described in subparagraph (B) from the Division of Apprenticeship Standards in the Department of Industrial Relations. A certificate is required for each taxable year. The taxpayer shall provide a copy of the certificate to the Franchise Tax Board upon request.

(B) The Division of Apprenticeship Standards shall do all of the following:

(i) Establish a procedure for taxpayers, in the form and manner jointly prescribed by the Division of Apprenticeship Standards

1 and the Franchise Tax Board, to apply and receive a certificate for  
2 purposes of this section.

3 (ii) Verify that the taxpayer is training during the taxable year  
4 an individual that meets the requirements to be a registered  
5 apprentice as described in subdivision (b).

6 (iii) Provide the taxpayer with a certificate for the registered  
7 apprentice. The certificate shall contain the name of the taxpayer  
8 and the name of the apprentice, a brief description of the  
9 apprenticeship, the primary location of the apprenticeship, and any  
10 other information the Division of Apprenticeship Standards or the  
11 Franchise Tax Board deems relevant.

12 (iv) Annually provide the Franchise Tax Board with a list of  
13 the names of the taxpayers that received certificates and the names  
14 of the registered apprentices of the taxpayer. The list may also  
15 contain any other information from the certificates.

16 (v) Inform the Franchise Tax Board if the Division of  
17 Apprenticeship Standards has knowledge that the training of a  
18 registered apprentice is terminated prior to the completion of the  
19 apprenticeship program after the taxpayer has received a certificate.

20 (2) The Division of Apprenticeship Standards may adopt rules  
21 and regulations as reasonably necessary to effectuate this  
22 subdivision, but shall consult with the Franchise Tax Board.

23 (d) In the case where the credit allowed by this section exceeds  
24 the "tax," the excess may be carried over to reduce the "net tax"  
25 in the following year, and succeeding four years, if necessary, until  
26 the credit is exhausted.

27 (e) The Franchise Tax Board may prescribe rules, guidelines,  
28 or procedures necessary or appropriate to carry out the purposes  
29 of this section, except as otherwise specified in subdivision (c).

30 (f) (1) Except as provided in paragraph (2), if the training of a  
31 registered apprentice is terminated prior to the completion of the  
32 apprenticeship program, any unused carryover of the credit shall  
33 be canceled and any previously claimed credit that reduced tax  
34 shall be recaptured by increasing the tax imposed by this part for  
35 the taxable year in which the training is terminated.

36 (2) Paragraph (1) shall not apply if the training of a registered  
37 apprentice was terminated due to any of the following:

38 (A) The registered apprentice voluntarily leaves the  
39 apprenticeship program.

1 (B) The registered apprentice, before the end of the completion  
2 of the apprenticeship program described in paragraph (3) of  
3 subdivision (b), becomes disabled and unable to perform the  
4 services of that program, unless that disability is removed before  
5 the close of the period of that program and the taxpayer fails to  
6 offer reinstatement to the program for that apprentice.

7 (C) The training of a registered apprentice was terminated due  
8 to the misconduct, as defined in Sections 1256-30 to 1256-43,  
9 inclusive, of Title 22 of the California Code of Regulations, of that  
10 apprentice.

11 (D) The training of a registered apprentice was terminated due  
12 to a substantial reduction in the trade or business operations of the  
13 taxpayer.

14 (g) A deduction otherwise allowed under this part for any  
15 amount paid or incurred by the qualified taxpayer in training a  
16 registered apprentice as a trade or business expense shall be  
17 reduced by the amount of the credit allowed by this section.

18 *(h) The aggregate amount of credits allowed under this section*  
19 *and Section 17053.11 shall not exceed ten million dollars*  
20 *(\$10,000,000) for each calendar year.*

21 ~~(h)~~

22 (i) This section shall remain in effect only until December 1,  
23 2020, and as of that date is repealed.

24 SEC. 5. This act provides for a tax levy within the meaning  
25 of Article IV of the Constitution and shall go into immediate effect.